

TOWNSHIP OF LAIRD
Houghton County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Laird	County Houghton
Audit Date March 31, 2006	Opinion Date September 12, 2006	Date Accountant Report Submitted to State: September 12, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature 			

TOWNSHIP OF LAIRD
Houghton County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

September 12, 2006

To the Township Board
Township of Laird
Houghton County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Laird, Houghton County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Laird's management. Our responsibility is to express opinions on these financial statements based on our audit.

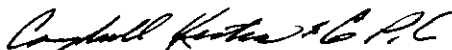
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Laird, Houghton County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2005.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF LAIRD
Houghton County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Laird covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$446,545.36 for governmental activities.

Overall revenues were \$207,032.21. Governmental activities had a \$57,771.32 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Special Revenue Funds.

TOWNSHIP OF LAIRD
Houghton County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Special Revenue Funds.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$151,868.20.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$271,609.00 in capital assets this year.

During the fiscal year, the Township received \$210,000.00 in bond proceeds and paid \$10,000 in debt principal.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Treasurer, Kim Fedie, at (906)338-2794 or the Township Clerk, Elaine Vassel, at (906)338-2794.

TOWNSHIP OF LAIRD
Houghton County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	285
604 22	
Taxes receivable	<u>7 024 14</u>
Total Current Assets	<u>292 628 36</u>
NON-CURRENT ASSETS:	
Capital Assets	483 194 00
Less: Accumulated Depreciation	<u>(129 277 00)</u>
Total Non-current Assets	<u>353 917 00</u>
TOTAL ASSETS	<u><u>646 545 36</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES:	
Bonds payable	<u>200 000 00</u>
Total Non-current Liabilities	<u>200 000 00</u>
Total Liabilities	<u>200 000 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	153 917 00
Unrestricted	<u>292 628 36</u>
Total Net Assets	<u>446 545 36</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>646 545 36</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LAIRD
Houghton County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

		<u>Program Revenue</u>		<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants - Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Legislative	2 361 66	-	-	(2 361 66)
General government	68 683 87	10 817 24	-	(57 866 63)
Public safety	27 733 12	1 113 17	-	(26 619 95)
Public works	38 777 65	2 265 00	-	(36 512 65)
Culture and recreation	7 509 00	-	32 750 00	25 241 00
Interest on long-term debt	<u>4 195 59</u>	<u>-</u>	<u>-</u>	<u>(4 195 59)</u>
Total Governmental Activities	<u>149 260 89</u>	<u>14 195 41</u>	<u>32 750 00</u>	<u>(102 315 48)</u>
General Revenues:				
Property taxes				76 585 25
Other taxes				7 384 42
State revenue sharing				52 009 24
Interest				3 925 16
Miscellaneous				<u>20 182 73</u>
Total General Revenues				<u>160 086 80</u>
Change in net assets				57 771 32
Net assets, beginning of year				<u>588 774 04</u>
Net Assets, End of Year				<u>646 545 36</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LAIRD
Houghton County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2006

	<u>General</u>	<u>Road Improvement</u>	<u>Fire</u>	<u>Ottawa National Forest</u>
<u>Assets</u>				
Cash in bank	120 875 30	17 630 72	60 102 87	39 948 76
Taxes receivable	1 467 69	1 549 26	1 987 75	-
Due from other funds	<u>373 28</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>122 716 27</u>	<u>19 179 98</u>	<u>62 090 62</u>	<u>39 948 76</u>
<u>Liabilities and Fund Equity</u>				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>122 716 27</u>	<u>19 179 98</u>	<u>62 090 62</u>	<u>39 948 76</u>
Total fund equity	<u>122 716 27</u>	<u>19 179 98</u>	<u>62 090 62</u>	<u>39 948 76</u>
Total Liabilities and Fund Equity	<u>122 716 27</u>	<u>19 179 98</u>	<u>62 090 62</u>	<u>39 948 76</u>

The accompanying notes are an integral part of these financial statements.

<u>Road</u>	<u>Other Funds</u>	<u>Total</u>
36 717 42	9 955 87	285 230 94
1 009 72	1 009 72	7 024 14
<u>-</u>	<u>-</u>	<u>373 28</u>
<u>37 727 14</u>	<u>10 965 59</u>	<u>292 628 36</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>37 727 14</u>	<u>10 965 59</u>	<u>292 628 36</u>
<u>37 727 14</u>	<u>10 965 59</u>	<u>292 628 36</u>
<u>37 727 14</u>	<u>10 965 59</u>	<u>292 628 36</u>

TOWNSHIP OF LAIRD
Houghton County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	292 628 36
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	483 194 00
Accumulated depreciation	(129 277 00)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds payable	<u>(200 000 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>446 545 36</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LAIRD
Houghton County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2006

	<u>General</u>	<u>Road Improvement</u>	<u>Fire</u>	<u>Ottawa National Forest</u>
Revenues:				
Property taxes	14 636 91	17 271 74	22 160 72	-
Other taxes	7 384 42	-	-	-
State revenue sharing	50 256 50	-	-	-
State grant	32 750 00	-	-	-
Charges for services	10 817 24	-	1 113 17	-
Interest	1 853 02	131 80	789 50	608 79
Miscellaneous	2 159 76	-	-	15 262 62
Total revenues	<u>119 857 85</u>	<u>17 403 54</u>	<u>24 063 39</u>	<u>15 871 41</u>
Expenditures:				
Legislative:				
Township Board	2 361 66	-	-	-
General government:				
Supervisor	6 459 00	-	-	-
Elections	230 50	-	-	-
Assessor	10 359 02	-	-	-
Clerk	6 680 03	-	-	-
Treasurer	7 233 57	-	-	-
Building and grounds	34 983 41	-	-	-
Board of Review	42 60	-	-	-
Unallocated	1 752 74	-	-	-
Public safety:				
Liquor law enforcement	585 60	-	-	-
Fire protection	783 31	-	15 906 21	-
Ambulance	-	-	-	-
Public works:				
Street lighting	2 018 43	-	-	-
Highways and streets	3 465 79	-	-	-
Sanitation	9 249 54	-	-	-
Culture and recreation:				
Library	767 93	-	-	-
Recreation	3 286 07	-	-	-
Capital outlay	61 609 00	210 000 00	-	-
Debt service	-	14 195 59	-	-
Total expenditures	<u>151 868 20</u>	<u>224 195 59</u>	<u>15 906 21</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(32 010 35)</u>	<u>(206 792 05)</u>	<u>8 157 18</u>	<u>15 871 41</u>
Other financing sources (uses):				
Loan proceeds	-	210 000 00	-	-
Total other financing sources (uses)	<u>-</u>	<u>210 000 00</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.
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<u>Road</u>	<u>Other Funds</u>	<u>Total</u>
11 257 94	11 257 94	76 585 25
-	-	7 384 42
1 752 74	-	52 009 24
-	-	32 750 00
2 265 00	-	14 195 41
477 23	64 82	3 925 16
<u>1 869 52</u>	<u>890 83</u>	<u>20 182 73</u>
<u>17 622 43</u>	<u>12 213 59</u>	<u>207 032 21</u>
-	-	2 361 66
-	-	6 459 00
-	-	230 50
-	-	10 359 02
-	-	6 680 03
-	-	7 233 57
-	-	34 983 41
-	-	42 60
-	-	1 752 74
-	-	585 60
-	-	16 689 52
-	10 144 00	10 144 00
-	-	2 018 43
8 615 89	-	12 081 68
-	-	9 249 54
-	-	767 93
-	-	3 286 07
-	-	271 609 00
<u>-</u>	<u>-</u>	<u>14 195 59</u>
<u>8 615 89</u>	<u>10 144 00</u>	<u>410 729 89</u>
<u>9 006 54</u>	<u>2 069 59</u>	<u>(203 697 68)</u>
<u>-</u>	<u>-</u>	<u>210 000 00</u>
<u>-</u>	<u>-</u>	<u>210 000 00</u>

TOWNSHIP OF LAIRD
Houghton County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS

Excess (deficiency) of revenues and other sources over expenditures and other uses	(32 010 35)	3 207 95	8 157 18	15 871 41
Fund balances, April 1	<u>154 726 62</u>	<u>15 972 03</u>	<u>53 933 44</u>	<u>24 077 35</u>
Fund Balances, March 31	<u>122 716 27</u>	<u>19 179 98</u>	<u>62 090 62</u>	<u>39 948 76</u>

The accompanying notes are an integral part of these financial statements.

9 006 54	2 069 59	6 302 32
<u>28 720 60</u>	<u>8 896 00</u>	<u>286 326 04</u>
<u>37 727 14</u>	<u>10 965 59</u>	<u>292 628 36</u>

TOWNSHIP OF LAIRD
Houghton County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	6 302 32
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(20 140 00)
Capital Outlay	271 609 00

Receipt of debt proceeds is a financing source in the governmental funds, the receipt does not have an effect in the statement of activities but does increase the debt balance in the statement of net assets.

Loan proceeds	(210 000 00)
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Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>10 000 00</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>57 771 32</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LAIRD
Houghton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Laird, Houghton County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Laird. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF LAIRD
Houghton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection Fund and the Agency Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was 6.6957 mills, and the taxable value was \$11,446,676.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF LAIRD
Houghton County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	15-100 years
Equipment	5-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2005, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$353,917.00.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.

TOWNSHIP OF LAIRD
Houghton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 2 – Budgets and Budgetary Accounting (continued)

3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>294 800 62</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

TOWNSHIP OF LAIRD
Houghton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 3 – Deposits and Investments (continued)

	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>94 901 82</u>
Total Deposits	<u><u>294 901 82</u></u>

The Township did not have any investments as of March 31, 2006.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
<u>Governmental Activities:</u>				
Land	35 000 00	271 609 00	-	306 609 00
Buildings	141 800 00	-	-	141 800 00
Equipment	<u>34 785 00</u>	<u>-</u>	<u>-</u>	<u>34 785 00</u>
Total	211 585 00	271 609 00	-	483 194 00
Accumulated Depreciation	<u>(109 137 00)</u>	<u>(20 140 00)</u>	<u>-</u>	<u>(129 277 00)</u>
Net Capital Assets	<u><u>102 448 00</u></u>	<u><u>251 469 00</u></u>	<u><u>-</u></u>	<u><u>353 917 00</u></u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township does not issue building permits.

TOWNSHIP OF LAIRD
Houghton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>373 28</u>	Current Tax Collection	<u>373 28</u>
Total	<u>373 28</u>	Total	<u>373 28</u>

Note 10 – Changes in Long-Term Debt

The summary of changes in long-term debt follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/06</u>
Road Bonds Payable	<u>-</u>	<u>210 000.00</u>	<u>10 000 00</u>	<u>200 000 00</u>

Note 11 – Road Bonds Payable

During the fiscal year ended March 31, 2006, the Township sold \$210,000.00 of bonds to finance road improvements. As of March 31, 2006, the principal balance outstanding was \$200,000.00

<u>Due Date</u>	<u>Principal Amount</u>
12-1-06	10 000 00
12-1-07	10 000 00
12-1-08	10 000 00
12-1-09	10 000 00
12-1-10	15 000 00
12-1-11	15 000 00
12-1-12	15 000 00
12-1-13	15 000 00
12-1-14	15 000 00
12-1-15	15 000 00
12-1-16	15 000 00
12-1-17	15 000 00
12-1-18	20 000 00
12-1-19	<u>20 000 00</u>
Total	<u>200 000 00</u>

TOWNSHIP OF LAIRD
Houghton County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	22 382 14	22 382 14	14 636 91	(7 745 23)
Other taxes	6 585 83	6 585 83	7 384 42	798 59
State revenue sharing	50 761 00	50 761 00	50 256 50	(504 50)
State grant	-	-	32 750 00	32 750 00
Charges for services	-	-	10 817 24	10 817 24
Interest	-	-	1 853 02	1 853 02
Miscellaneous	-	-	2 159 76	2 159 76
Total revenues	<u>79 728 97</u>	<u>79 728 97</u>	<u>119 857 85</u>	<u>40 128 88</u>
Expenditures:				
Legislative:				
Township Board	6 000 00	6 000 00	2 361 66	(3 638 34)
General government:				
Supervisor	9 000 00	9 000 00	6 459 00	(2 541 00)
Elections	2 000 00	2 000 00	230 50	(1 769 50)
Assessor	11 000 00	11 000 00	10 359 02	(640.98)
Clerk	8 000 00	8 000 00	6 680 03	(1 319 97)
Treasurer	8 000 00	8 000 00	7 233 57	(766 43)
Building and grounds	35 000 00	35 000 00	34 983 41	(16 59)
Board of Review	1 100 00	1 100 00	42 60	(1 057 40)
Unallocated	3 729 35	3 729 35	1 752 74	(1 976 61)
Public safety:				
Liquor law enforcement	600 00	600 00	585 60	(14 40)
Fire protection	1 000 00	1 000 00	783 31	(216 69)
Public works:				
Street lighting	4 500 00	4 500 00	2 018 43	(2 481 57)
Highways and streets	4 000 00	4 000 00	3 465 79	(534 21)
Sanitation	12 000 00	12 000 00	9 249 54	(2 750 46)
Culture and recreation:				
Library	1 000 00	1 000 00	767 93	(232 07)
Recreation	3 500 00	3 500 00	3 286 07	(213 93)
Capital outlay	<u>62 000 00</u>	<u>62 000 00</u>	<u>61 609 00</u>	<u>(391 00)</u>
Total expenditures	<u>172 429 35</u>	<u>172 429 35</u>	<u>151 868 20</u>	<u>(20 561 15)</u>
Excess (deficiency) of revenues over expenditures	(92 700 38)	(92 700 38)	(32 010 35)	60 690 03
Fund balance, April 1	<u>122 700 38</u>	<u>122 700 38</u>	<u>154 726 62</u>	<u>32 026 24</u>
Fund Balance, March 31	<u>30 000 00</u>	<u>30 000 00</u>	<u>122 716 27</u>	<u>92 716 27</u>

TOWNSHIP OF LAIRD
Houghton County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROAD IMPROVEMENT FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	16 304 00	16 304 00	17 271 74	967 74
Interest	-	-	131 80	131 80
Total revenues	<u>16 304 00</u>	<u>16 304 00</u>	<u>17 403 54</u>	<u>1 099 54</u>
Expenditures:				
Capital outlay	210 000 00	210 000 00	210 000 00	-
Debt service	<u>16 304 00</u>	<u>16 304 00</u>	<u>14 195 59</u>	<u>(2 108 41)</u>
Total expenditures	<u>226 304 00</u>	<u>226 304 00</u>	<u>224 195 59</u>	<u>(2 108 41)</u>
Excess (deficiency) of revenues over expenditures	(210 000 00)	(210 000 00)	(206 792 05)	3 207 95
Other financing sources (uses):				
Loan proceeds	<u>210 000 00</u>	<u>210 000 00</u>	<u>210 000 00</u>	<u>-</u>
Total other financing sources (uses)	<u>210 000 00</u>	<u>210 000 00</u>	<u>210 000 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	-	3 207 95	3 207 95
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>15 972 03</u>	<u>15 972 03</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>19 179 98</u>	<u>19 179 98</u>

TOWNSHIP OF LAIRD
Houghton County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	21 600 00	21 600 00	22 160 72	560 72
Charges for service	-	-	1 113 17	1 113 17
Interest	-	-	789 50	789 50
Total revenues	<u>21 600 00</u>	<u>21 600 00</u>	<u>24 063 39</u>	<u>2 463 39</u>
Expenditures:				
Public safety:				
Fire protection	<u>68 788 49</u>	<u>68 788 49</u>	<u>15 906 21</u>	<u>(52 882 28)</u>
Total expenditures	<u>68 788 49</u>	<u>68 788 49</u>	<u>15 906 21</u>	<u>(52 882 28)</u>
Excess (deficiency) of revenues over expenditures	(47 188 49)	(47 188 49)	8 157 18	55 345 67
Fund balance, April 1	<u>47 188 49</u>	<u>47 188 49</u>	<u>53 933 44</u>	<u>6 744 95</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>62 090 62</u>	<u>62 090 62</u>

TOWNSHIP OF LAIRD
Houghton County, Michigan

BUDGETARY COMPARISON SCHEDULE – OTTAWA NATIONAL FOREST FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Interest	-	-	608 79	608 79
Miscellaneous	<u>15 000 00</u>	<u>15 000 00</u>	<u>15 262 62</u>	<u>262 62</u>
Total revenues	<u>15 000 00</u>	<u>15 000 00</u>	<u>15 871 41</u>	<u>871 41</u>
Expenditures				
Protective inspection	<u>39 028 78</u>	<u>39 028 78</u>	<u>-</u>	<u>(39 028 78)</u>
Total expenditures	<u>39 028 78</u>	<u>39 028 78</u>	<u>-</u>	<u>(39 028 78)</u>
Excess (deficiency) of revenues over expenditures	(24 028 78)	(24 028 78)	15 871 41	39 900 19
Fund balance, April 1	<u>24 028 78</u>	<u>24 028 78</u>	<u>24 077 35</u>	<u>48 57</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>39 948 76</u>	<u>39 948 76</u>

TOWNSHIP OF LAIRD
Houghton County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROAD FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	10 800 00	10 800 00	11 257 94	457 94
State revenue sharing	3 900 00	3 900 00	1 752 74	(2 147 26)
Charges for services	-	-	2 265 00	2 265 00
Interest	-	-	477 23	477 23
Miscellaneous	-	-	1 869 52	1 869 52
Total revenues	<u>14 700 00</u>	<u>14 700 00</u>	<u>17 622 43</u>	<u>2 922 43</u>
Expenditures				
Public works:				
Highways and streets	<u>49 864 32</u>	<u>49 864 32</u>	<u>8 615 89</u>	<u>(41 248 43)</u>
Total expenditures	<u>49 864 32</u>	<u>49 864 32</u>	<u>8 615 89</u>	<u>(41 248 43)</u>
Excess (deficiency) of revenues over expenditures	(35 164 32)	(35 164 32)	9 006 54	44 170 86
Fund balance, April 1	<u>35 164 32</u>	<u>35 164 32</u>	<u>28 720 60</u>	<u>(6 443 72)</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>37 727 14</u>	<u>37 727 14</u>

TOWNSHIP OF LAIRD
Houghton County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2006

	<u>Road Improvement</u>	<u>Fire</u>	<u>Ambulance</u>	<u>Ottawa National Forest</u>
<u>Assets</u>				
Cash in bank	17 630 72	60 102 87	8 358 24	39 948 76
Taxes receivable	<u>1 549 26</u>	<u>1 987 75</u>	<u>1 009 72</u>	<u>-</u>
Total Assets	<u>19 179 98</u>	<u>62 090 62</u>	<u>9 367 96</u>	<u>39 948 76</u>
<u>Fund Balances</u>				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Undesignated	<u>19 179 98</u>	<u>62 090 62</u>	<u>9 367 96</u>	<u>39 948 76</u>
Total Fund Balances	<u>19 179 98</u>	<u>62 090 62</u>	<u>9 367 96</u>	<u>39 948 76</u>

<u>Road</u>	<u>Nisula Church</u>	<u>Ice Rink</u>	<u>Total</u>
36 717 42	271 49	1 326 14	164 355 64
<u>1 009 72</u>	<u>-</u>	<u>-</u>	<u>5 556 45</u>
<u>37 727 14</u>	<u>271 49</u>	<u>1 326 14</u>	<u>169 912 09</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>37 727 14</u>	<u>271 49</u>	<u>1 326 14</u>	<u>169 912 09</u>
<u>37 727 14</u>	<u>271 49</u>	<u>1 326 14</u>	<u>169 912 09</u>

TOWNSHIP OF LAIRD
Houghton County, Michigan

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

March 31, 2006

	<u>Road Improvement</u>	<u>Fire</u>	<u>Ambulance</u>	<u>Ottawa National Forest</u>
Revenues:				
Property taxes	17 271 74	22 160 72	11 257 94	-
State revenue sharing	-	-	-	-
Charges for services	-	1 113 17	-	-
Interest	131 80	789 50	51 90	608 79
Miscellaneous	-	-	431 33	15 262 62
	<u>17 403 54</u>	<u>24 063 39</u>	<u>11 741 17</u>	<u>15 871 41</u>
Total revenues				
Expenditures:				
Public safety:				
Fire protection	-	15 906 21	-	-
Ambulance	-	-	10 144 00	-
Public works:				
Highways and streets	-	-	-	-
Capital outlay	210 000 00	-	-	-
Debt service	14 195 59	-	-	-
	<u>224 195 59</u>	<u>15 906 21</u>	<u>10 144 00</u>	<u>-</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(206 792 05)</u>	<u>8 157 18</u>	<u>1 597 17</u>	<u>15 871 41</u>
Other financing sources (uses):				
Loan proceeds	210 000 00	-	-	-
Total other financing sources (uses)	<u>210 000 00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	3 207 95	8 157 18	1 597 17	15 871 41
Fund balances, April 1	<u>15 972 03</u>	<u>53 933 44</u>	<u>7 770 79</u>	<u>24 077 35</u>
Fund balances, March 31	<u>19 179 98</u>	<u>62 090 62</u>	<u>9 367 96</u>	<u>39 948 76</u>

<u>Road</u>	<u>Nisula Church</u>	<u>Ice Rink</u>	<u>Total</u>
11 257 94	-	-	61 948 34
1 752 74	-	-	1 752 74
2 265 00	-	-	3 378 17
477 23	2 47	10 45	2 072 14
<u>1 869 52</u>	<u>1 00</u>	<u>458 50</u>	<u>18 022 97</u>
<u>17 622 43</u>	<u>3 47</u>	<u>468 95</u>	<u>87 174 36</u>
-	-	-	15 906 21
-	-	-	10 144 00
8 615 89	-	-	8 615 89
-	-	-	210 000 00
<u>-</u>	<u>-</u>	<u>-</u>	<u>14 195 59</u>
<u>8 615 89</u>	<u>-</u>	<u>-</u>	<u>258 861 69</u>
<u>9 006 54</u>	<u>3 47</u>	<u>468 95</u>	<u>(171 687 33)</u>
-	-	-	210 000 00
<u>-</u>	<u>-</u>	<u>-</u>	<u>210 000 00</u>
9 006 54	3 47	468 95	38 312 67
<u>28 720 60</u>	<u>268 02</u>	<u>857 19</u>	<u>131 599 42</u>
<u>37 727 14</u>	<u>271 49</u>	<u>1 326 14</u>	<u>169 912 09</u>

TOWNSHIP OF LAIRD
Houghton County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES- ALL AGENCY FUNDS
Year ended March 31, 2006

	<u>Balance</u> <u>4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/06</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>10 797 51</u>	<u>166 710 30</u>	<u>168 012 12</u>	<u>9 495 69</u>
<u>Liabilities</u>				
Due to other funds	393 97	72 711 06	72 731 75	373 28
Due to others	<u>10 403 54</u>	<u>93 999 24</u>	<u>95 280 37</u>	<u>9 122 41</u>
Total Liabilities	<u>10 797 51</u>	<u>166 710 30</u>	<u>168 012 12</u>	<u>9 495 69</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>931 55</u>	<u>121 50</u>	<u>979 06</u>	<u>73 99</u>
<u>Liabilities</u>				
Due to Others	<u>931 55</u>	<u>121 50</u>	<u>979 06</u>	<u>73 99</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>11 729 06</u>	<u>166 831 80</u>	<u>168 991 18</u>	<u>9 569 68</u>
<u>Liabilities</u>				
Due to other funds	393 97	72 711 06	72 731 75	373 28
Due to others	<u>11 335 09</u>	<u>94 120 74</u>	<u>96 259 43</u>	<u>9 196 40</u>
Total Liabilities	<u>11 729 06</u>	<u>166 831 80</u>	<u>168 991 18</u>	<u>9 569 68</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA**

**512 N. LINCOLN AVE. - SUITE 100
PO. BOX 686
BAY CITY, MICHIGAN 48707**

**TEL (989) 894-1040
FAX (989) 894-5494**

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

September 12, 2006

To the Township Board
Township of Laird
Houghton County, Michigan

We have audited the financial statements of the Township of Laird for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Laird in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Laird
Houghton County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2006. The implementation of this pronouncement for the Township of Laird began with the year ended March 31, 2006. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

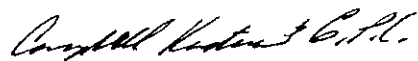
These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

To the Township Board
Township of Laird
Houghton County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

A handwritten signature in cursive script, appearing to read "Campbell Kusterer & Co., P.C.", written in black ink.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants